

U.S. ENVIRONMENTAL PROTECTION AGENCY,
REGION 10
CLEAN WATER STATE REVOLVING FUND PROGRAM

PROGRAM EVALUATION REPORT

WASHINGTON WATER POLLUTION
CONTROL REVOLVING FUND

SFY 2007



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 10

1200 Sixth Avenue, Suite 900
Seattle, Washington 98101-3140

Reply to
Attn Of: OWW-137

09 JUN 2008

Kelly Susewind, Manager
Water Quality Program
Department of Ecology
P.O. Box 47600
Olympia, Washington 98504-7600

RE: Washington Water Pollution Control Revolving Fund
Program Evaluation Report for SFY 2007

Dear Mr. Susewind:

In cooperation with the Water Quality Financial Assistance Program staff of the Department of Ecology (Ecology) the U.S. Environmental Protection Agency Region 10 (EPA) has completed a periodic review of Ecology's continuing administration of the Washington Water Pollution Control Revolving Fund (Fund). I have enclosed the results of this review in the EPA's Program Evaluation Report (PER) for state fiscal year 2007.

The PER documents that Ecology continues to operate a well-managed water pollution control revolving fund. SFY 2007 was an especially noteworthy year for the Fund. The dollar volume of executed loans was the third highest ever for the program. Ecology completed a major rulemaking updating the state regulations governing both the Fund and the Centennial Clean Water Program.

The PER identifies one instance in which Ecology should improve its reporting on program administrative costs in the National Information Management System. Ecology and EPA have reached agreement on a new Operating Agreement for the program and expect to have it signed soon. Additionally, we expect that Ecology will officially submit an up to date description of the program's State Environmental Review Process for the EPA's review and approval.

Please contact Daniel Steinborn, the region's Project Officer for our oversight of the Washington Water Pollution Control Revolving Fund, we would be glad to discuss the report and our recommendations with the Ecology staff at their convenience. Dan can be reached at (206) 553-2728.

Sincerely,

Michael F. Gearheard, Director
Office of Water and Watersheds

Enclosure



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EXECUTIVE SUMMARY

This report presents the Environmental Protection Agency's (EPA's) evaluation of the performance of the Washington Department of Ecology (Ecology or DOE) in its administration of the Washington Water Pollution Control Revolving Fund during State Fiscal Year (SFY) 2007. Our review was conducted pursuant to the Annual Review Guidance for the State Revolving Fund Programs (Interim Final) published by the EPA's Office of Water in March 2004.

In accordance with that guidance, this report is organized into the following components:

- This Executive Summary
- A narrative statement that summarizes program highlights and discusses the follow-up actions that Ecology has implemented since the EPA's most recent Program Evaluation Report (PER) on the Washington Water Pollution Control Revolving Fund was published.¹
- Explanatory notes for those items in the review checklist that merit additional discussion (following the program highlights). This portion of the document is "silent" if a topic merits no discussion beyond that found in the Executive Summary and the review checklist.
- Project file review checklist.
- An annotated program review checklist for both programmatic and financial elements of revolving fund administration (attached).

This report reflects the EPA's examination of the following types of records:

- The Operating Agreement between the EPA and Ecology governing the administration of Washington's Water Pollution Control Revolving Account.
- The grant agreements associated with each of the open EPA capitalization grants to Ecology.
- The Intended Use Plan (IUP) for the Washington Water Pollution Control Revolving Account for SFY 2007.

¹ That report was published in May 2007 and evaluated the program's performance for SFY 2006.

- Records of financial transactions maintained by the EPA and Ecology
- An audit report for SFY 2007 for the Washington Water Pollution Control Revolving Fund completed by the Washington State Auditor.
- The annual report submitted by Ecology for SFY 2007.
- Project loan files maintained by Ecology²

The review also reflects discussions held with Ecology's management and program staff throughout SFY 2007 as well as discussions that the EPA held with Ecology while this report was being developed.

In addition to the meetings with Ecology specifically focused on the Washington Water Pollution Control Revolving Fund, the EPA is a member of Ecology's Water Quality Financial Assistance Advisory Council. Both the regional SRF Grants Project Officer and the regional CWSRF (Clean Water State Revolving Fund) Financial Analyst attend and participate in the quarterly meetings of the Council. The Council serves as a consultative body for Ecology in its administration of all of its water quality financial assistance programs. Council meetings continue to provide a collegial forum in which program issues and problems are discussed.

The Washington Department of Ecology continues to operate an effective water pollution control revolving fund. Ecology maintains a thoroughly competent staff in both its central and regional offices. It uses an integrated planning and priority setting system to rank projects that are candidates for funding and uses an integrated solicitation process that allows project sponsors to submit one application for consideration for assistance from the SRF, the state's Centennial Clean Water program and the state's nonpoint source grants program under §319 of the Clean Water Act. This system, unique to Washington State, makes Washington's program especially effective at both maximizing the number of projects receiving assistance in any one year and at maximizing the water quality benefits that the state is obtaining from its water quality financial assistance programs.

Our review identified two topics where follow-up by Ecology would be appropriate:

² As part of this annual review we examined the files for three projects that received financial assistance from the Washington Water Pollution Control Revolving Account during SFY 2007. Those file reviews are summarized at the end of this Program Evaluation Report.

- The EPA and Ecology are completing development of a new and updated Operating Agreement to govern the administration of the Washington Water Pollution Control Revolving Fund. As noted at page 7, the Department needs to develop an updated description of the Fund's current State Environmental Review Process that could be incorporated by reference into the new Operating Agreement. This SERP should be formally submitted to the EPA for its review and approval.
- As noted at page 10, Ecology needs to develop and implement a mechanism for accurately reporting annual and cumulative expenses from the Fund incurred for administrative costs.

PROGRAM HIGHLIGHTS

The Washington Water Pollution Control Revolving Fund received its first capitalization grant from the Environmental Protection Agency (EPA) in September 1989. Through the end of SFY 2007 it had received a total of approximately \$433 million in EPA capitalization grants³. These grants were matched by the State with approximately \$86.6 million in capital contributions. All of the state's matching capital contributions have been derived from appropriated funds (no bonds have been issued or sold to generate the state's matching capital contribution). Total capitalization through the end of SFY 2007, ignoring Fund interest earnings over the life of the program, was approximately \$519.6 million. The Fund has always been operated as a direct loan program (The state has never leveraged the Fund by issuing bonds to increase the annual dollar volume of assistance that it could provide to eligible projects).

The Washington Water Pollution Control Revolving Fund has always offered assistance to all three types of projects that are eligible for assistance under the Clean Water Act⁴. As noted earlier, the loans are coordinated with other Ecology managed water quality financial assistance programs in order to maximize the volume of projects that eligible recipients are able to build in any one year. Additionally, Ecology works diligently to coordinate its water infrastructure financial assistance with other infrastructure financiers such as the U.S. Department of Agriculture's (USDA) Rural Utilities Service (RUS) and the Washington Public Works Board managed Public Works Trust Fund.

The Fund develops a one year project priority list (offer list) each year that serves as the foundation for its annual Intended Use Plan (IUP). Project owners have one year from the publication of the Intended Use Plan to sign a loan agreement with Ecology. The IUP provides that funds reserved for SRF loan agreements that are not signed within this time limit may be offered to projects lower on the priority list. However, it has been Ecology's practice, in circumstances

³ The cumulative EPA capitalization included approximately \$12.3 million in Title II (Construction Grants) funds that were deposited in the Fund in accordance with state requests under §205(m) of the Clean Water Act. The state, as required by law, provided a 20% matching capital contribution for these funds, as well.

⁴ The three types of eligible projects are publicly owned treatment works, projects that implement the state's nonpoint source plan and projects that either develop or implement Comprehensive Conservation and Management Plans under §320 of the Clean Water Act.

in which SRF loan agreement negotiations are underway towards the end of the one year period, to carry forward these pending offers into the next year's IUP as a separate list. These funds and these projects are essentially excluded from the competitive solicitation in the next fiscal year.

As of the end of SFY 2007 the Fund had executed approximately \$930.3 million in loans. During SFY 2007, the Fund executed approximately \$73.5 million in new loans. This was the third largest volume of new business in any year since the program's inception. Washington continues to lead the country with respect to the rate at which it is executing new loans. Through the end of SFY 2007 it had committed 109% of available funds (by committing funds in anticipation of their receipt)⁵.

Within this "lifetime" universe of projects, the Fund offered approximately \$78 million in assistance to projects that implemented the state's nonpoint source water quality strategy. Of the \$930.3 million in projects, approximately \$491.8 million worth of projects were either publicly owned treatment works projects or nonpoint source projects that also protected or enhanced one of Washington's two national estuaries.⁶

In SFY 2007 the Washington Water Pollution Control Revolving Fund increased its interest rates to improve the Fund's ability to meet its "perpetuity" obligation under §603(c) of the Clean Water Act. Loans with a maturity of five years or less were offered at an interest rate of 1.3%. Loans with a maturity of six to 20 years were offered with an interest rate of 2.6%. Washington also continued its practice of reducing the interest rate to as little as 0% in circumstances in which the loan applicant demonstrated that it met the Department's economic hardship criterion. Based on a rulemaking completed in late SFY 2007, Ecology revised this hardship program so that the magnitude of the interest rate subsidy is a function of how the monthly user rates compares to median household income. If expected monthly user rates would be equal to five percent or more of median household income, the SRF loan would be offered at 0% interest (interest free). If the expected monthly user rates would be between 3.0% and 4.9% of median household income, the SRF loan would be offered at 20% of the market rate. If the expected monthly user

⁵ The only state with a higher rate, that we are aware of, is Oregon with a rate of 114% through SFY 2007.

⁶ All of these data are derived from the Clean Water National Information System data developed and submitted by the Washington Department of Ecology.

rates would be between 2.0% and 2.9% of median household income, the SRF loan would be offered at 40% of the market rate. This new rate structure will be effective in SFY 2009.

In SFY 2007 all of the hardship loans executed were at 0% interest. Roughly 29% of Ecology's current loan portfolio consists of these 0% hardship loans. The weighted average interest rate of new loans executed in SFY 2007 was 1.166%. As of the end of SFY 2007, the weighted average interest rate for the entire loan portfolio, (all loans in disbursement or repayment) was 1.61%.

FOLLOW-UP FROM PREVIOUS PROGRAM EVALUATION

The EPA's most recent program evaluation report for Washington's Water Pollution Control Revolving Fund was published in December 2007 and covered SFY 2006. Due to its late publication date, with one exception, all of the items it noted as needing attention or corrective action had been properly addressed by the time the report was published by the EPA.

In that report we suggested, based on the loan file reviews conducted as part of the annual program evaluation, that Ecology should review its program management practices to determine what changes it could make to prevent errors of omission in the implementation of the State Environmental Review Process (SERP).

During SFY 2007, the EPA and Ecology held continuing discussions on how to implement the informal consultation process under §7 of the Endangered Species Act as part of our negotiation of a new Operating Agreement between the EPA and the Department of Ecology for Washington's Water Pollution Control Revolving Fund. During our discussion of this topic during our on-site program evaluation work in mid-March 2008, EPA noted that it would need to see a complete current (and updated) written description of Washington's SERP that could be incorporated by reference into the new Operating Agreement and explicitly approved by the EPA. As part of that update it would be appropriate for Ecology to identify the steps it will take to insure consistent implementation of the SERP across the state (at all of its regional offices).

The SFY 2006 audit of the WA CWSRF determined that the Department's Water Quality Program did not comply with federal requirements for direct payroll charges. By August of 2007, Ecology had implemented corrective actions addressing the need to adequately support and document payroll charged to the CWSRF. The questioned payroll costs were reconciled against actual time worked on CWSRF activities. Ecology worked with EPA Region 10 to establish an appropriate method for repaying the questioned costs. The repayment process was completed on October 15, 2007. Additional discussion of the audit finding resolution as well as the audit report for SFY 2007 is found on page 10.

CURRENT PROGRAM EVALUATION TOPICS

REQUIRED PROGRAM ELEMENTS

ANNUAL REPORT

The EPA revised the programmatic grant condition regarding the annual report to allow the state more time to complete it. The new grant condition, now used in each capitalization grant, specifies that the annual report is due 90 days after the end of the grant year. For SFY 2007 Ecology delivered the Annual Report well before the new deadline.

COMPLIANCE WITH CROSSCUTTING FEDERAL AUTHORITIES AND ENVIRONMENTAL REVIEW

The EPA reviewed three the loan files for three projects during this program evaluation. In each instance an appropriate form of environmental review (usually an environmental assessment and a Finding of No Significant Impact) was conducted during the facilities planning process. In each instance, the Crosscutting Federal authorities were either addressed directly by the project owner during this environmental review or during a Federal environmental review prepared under a Federal financing agency's direction (the U.S. Environmental Protection Agency, when EPA special appropriation grants were received by the project or the U.S. Department of Agriculture's Rural Development Program when Rural Utilities Service financing was received by the project).

REQUIRED FINANCIAL ELEMENTS

STATE MATCHING CAPITAL CONTRIBUTION

During EPA's annual review visit, a sample of cash draw transactions was tested to verify that federal program requirements are being met. Federal capitalization grants provided under the Clean Water State Revolving Fund program require states to provide an amount equal to 20% of the federal grant in state matching funds. Cash draw transaction testing and review of the audited SFY 2007 Financial Statements confirms that the Washington program is meeting this requirement. The cumulative amount of appropriated state match funds, \$86,646,984 is recorded in the Washington program's annual report"⁷. This amount is also recorded in the Clean Water National Information System (CWNIMS) report for 2007.

ANNUAL REPORT EXHIBITS AND FINANCIAL STATEMENTS

The SFY 2007 annual report generated by program staff and the Ecology fiscal office reflected a continuation of the process to streamline the annual report that began two years ago with the annual review of SFY 2005. Several financial exhibits were modified or removed from the subsequent annual reports for SFY 2006 and SFY 2007.

As part of our discussions with the DOE fiscal staff during this year's review, we agreed to again consider options for streamlining and improving the readability of the financial exhibits that are included in the program's annual report. To start, we agreed that the DOE fiscal staff will analyze the content of financial exhibits 2, 3, and 4. It will make a preliminary determination of whether or not these exhibits are providing financial information that is necessary for demonstrating program compliance, or if the information is clearly useful for conveying the financial operations of the program. The DOE fiscal staff will then confer with EPA's CWSRF Financial Analyst and make recommendations for modifying or removing these exhibits from future annual reports. We anticipate that decisions about these three financial exhibits will be completed in time to modify the SFY 2008 annual report.

⁷ Washington State Department of Ecology, Water Pollution Control Revolving Fund Annual Report for SFY 2007, page 2, Exhibit 1, Washington SRF Funding SFY90 Through SFY07.

The SFY 2007 annual report Exhibit 5 "Payment Schedule" can be removed for subsequent annual reports since the current grant payment schedule information contained in this exhibit is included in the program's annual Intended Use Plan (IUP).

The financial statements required to meet government accounting standards and other exhibits included in the annual report should remain intact. These are identified as Exhibits 6, 7, and 8 in the SFY 2007 annual report. In addition to the financial exhibits, EPA appreciates the comprehensive narrative in Exhibit 9, the "Notes to the Financial Statements" that the Washington program includes in the annual report.

For EPA's purposes, Exhibit 11, "List of Projects" is not necessary for inclusion in the annual report. New projects receiving assistance for the year, is an important data set in the annual report and that information is adequately provided in Exhibit 1. A complete list of projects should continue to be maintained by the Washington CWSRF program office but inclusion of the full list is not necessary for the annual report.

Some ongoing work remains to reconcile certain annual report data with records maintained by EPA. First, a process to report on the annual and cumulative administrative expenses paid from the CWSRF needs to be established. Program regulations set a limit of an amount from the Fund equal to 4% of the cumulative federal grant awards that can be used for program administration. As such, the program and/or fiscal office should establish a consistent mechanism to report the total administrative costs paid with CWSRF funds so that an "administrative account balance" can be easily confirmed during the annual review visit. With this reporting mechanism in place, the "administrative account balance" can be reconciled to the amount of administrative costs paid from the CWSRF as reported in CWNIMS.

FINANCIAL STATEMENT AUDIT

The Ecology Fiscal Office engaged the Washington State Auditor's Office to conduct a financial statement audit of the Water Pollution Control Revolving Fund for SFY 2007. The audit report provided a positive, unqualified⁸ opinion about the

⁸ An unqualified opinion is an auditor's judgment that he or she has no reservation as to the fairness of presentation of an entity's financial statements and their conformity with Generally Accepted Accounting Principles (GAAP); also termed *clean opinion*.

(footnote continued)

program's financial statements and found no material weaknesses in the Ecology's internal controls over the CWSRF loan program. The audit report also issued an unqualified opinion, i.e. positive report, on the Agency's compliance applicable to the federal capitalization grants for the CWSRF program. The audit reported "no findings" requiring disclosure under federal program audit guidelines.

The Washington CWSRF program is also evaluated as part of the Department of Ecology's department-wide audit performed by the Washington State Auditor's Office. There were "no findings" reported as a result of this audit as well.

The "no findings" result of the SFY 2007 CWSRF audit report is significant in the fact that Ecology successfully resolved an issue from the prior year's (SFY 2006) audit report while maintaining successful accounting controls in all of the other areas reviewed. The resolution of the prior year's audit finding having to do with requirements for payroll costs charged to the CWSRF was documented in the "Schedule of Prior Year Audit Findings" included in the SFY 2007 audit report. Additionally, Ecology staff provided a copy of the State of Washington's Office of Financial Management's, 2007 Audit Resolution Report (December 2007), as further confirmation that corrective actions have been taken to ensure that payroll charged to the CWSRF program is supported with adequate documentation and established procedures. Finally, it should be noted that Ecology and EPA reached an agreement on repaying costs that were questioned in the prior year's audit, and Ecology has completed all the necessary steps to satisfy the repayment.

EPA appreciates the effort that Ecology expends in having an annual audit of the CWSRF program. The strength and positive results realized by the Washington Water Pollution Control State Revolving Fund, (CWSRF program) is largely due to the diligence of program and fiscal staff ensuring that program procedures and policies are followed, and that generally accepted accounting principles (GAAP) are consistently applied. The annual audit report is a solid testimony to the financial integrity of the program.

FINANCIAL CAPABILITY ASSESSMENTS

As a result of previous annual review discussions and PER recommendations, Ecology implemented an in-house procedure for conducting financial capability assessments on all loan applicants. During SFY 2007 there were some loans processed from applications that had been received prior to DOE's full

implementation of the new in-house procedures. Consequently, not all of the loans signed in SFY 2007 received the same level of financial capability assessment. However, we were pleased to see that the new procedures had been consistently applied for all new loan *applications* received during SFY 2007 (for SFY 2008 loans).

This year's annual review discussion with Ecology staff included a step-by-step explanation of the process by which loan applicants are notified about financial information requirements, how the submitted information is reviewed, and how the assessment process is documented in each loan file. Furthermore, we discussed how particular loan conditions might result from a borrower's financial condition as revealed by the financial capability assessment procedures.

Based on the described procedures, we believe that the Washington program now has an adequate procedure in place for conducting the appropriate level of financial capability assessments on potential revolving fund borrowers. A key factor for positive future program evaluations is DOE's ability to sustain the level of effort and staff expertise needed to conduct financial capability assessments consistently. We encourage DOE to let the EPA Region 10 staff know if there is anything we can do to assist them in this continued effort. We also look forward to having further discussions about how loan recipients are responding to the information and annual rate-reporting that are incorporated in Ecology's new financial capability assessment procedures.

FINANCIAL INDICATORS

Financial indicators for the Washington Clean Water State Revolving Fund highlight the strong performance of the program. The return on federal investment increased to 197% at the end of SFY 2007, from 186% the previous year. This indicator measures the success of the Washington program in leveraging the funds provided by federal capitalization grants. The Washington program has also maintained strong performance in the amount of loans made as a percentage of funds available. During SFY 2007, the WA program generated loans for water quality projects at 109% of funds available. The program accomplished greater than 100% funds available utilization by anticipating the cash flow from loan repayments against the disbursement requirements for new loans signed during SFY 2007. Please refer to the chart below for a comparison of recent fiscal year performance according to financial indicators by which state CWSRF programs are evaluated.

Description	WA State SFY 2006	WA State SFY 2007	Regional Average ⁹ for FY2007	National Average ¹⁰ for FY2007
# 1- Return on Federal Investment - Shows the amount invested in water quality beneficial projects for each federal dollar invested	186%	197%	155%	163%
# 2-Percentage of Closed (executed) Loans to Funds Available For Loans - Shows the amount of signed loan agreements compared to the amount of funds available for loans	108%	109%	102%	95.0%
# 3-Percentage of Funds Disbursed to Closed Loans - Shows the amount of funds actually disbursed compared to the amount of signed loan agreements	78%	81%	77%	83.0%
# 4-Benefits of Leveraging - (generating additional SRF funds by issuing bonds)	N/A	N/A	N/A	N/A
# 5-Perpetuity of Fund - Demonstrates whether the program is maintaining its contributed capital. A positive result indicates the Program is maintaining its capital base	\$109,973,022	\$120,375,831	N/A	N/A
# 6-Estimated Subsidy - An estimate of the CWSRF interest rate subsidy, stated as a percentage of the market rate. (Market rate for 2007 was 4.3%)	80.0%	72.9%	45.7%	51%

⁹ Regional Average includes data for Alaska, Idaho, Oregon, and Washington. Data is from the Clean Water National Information Management System, CWNIMS.

¹⁰ National Average is for states that have not leveraged, except for Indicator #6 which averages all states. Data is from the Clean Water National Information Management System, CWNIMS.

PROJECT FILE REVIEW TABLES

CITY OF CARNATION COLLECTION AND CONVEYANCE LOAN FILE REVIEW SUMMARY

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Project Name	Carnation Wastewater Collection System	
Project Loan Number	L0700002	
Date of Loan	September 11, 2006	
Project Description	This project would build a system to collect and convey domestic sewage from the community's existing on-site systems to a new King County owned and operated treatment facility for the City.	
Amount of Loan	\$5,141,000. The project also received a loan from the Washington Public Works Trust Fund, a grant from the Washington Centennial Clean Water Program, another state grant through the Department of Community, Trade and Economic	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	Development and special appropriation grants from the EPA.	
Need for Project	The city's roughly 1,900 residents are served by approximately 625 aging, failed and nonconforming septic systems. This project would replace them with a collection system that directed this domestic waste to a new treatment plant. This would reduce both groundwater and surface water pollution. This would resolve a long standing state declared public health hazard.	
Loan Terms (rate/amortization period)	20 years at 0%	
Type of assistance under S603(d)	Direct loan	
Financial Capability Assessment/Repayment Source Evaluation	Not in file. New utility.	
Loan Security Provisions	This is revenue secured debt. The borrower is required to establish and	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	fund a debt service reserve within the first five years of the repayment period. The loan also provides for state aid intercept in the event of default by the borrower.	
Facility Plan available/Approved	Facilities Plan approved October 13, 2005	
Plans & Specs Approval	Plans and Specifications approved October 28, 2005.	
Bid Advertisement and Approval		
MBE/WBE Compliance	The loan includes standard language requiring the borrower to address the MBE/WBE goals in its contracting.	
Initiation of Operations/Performance Certification [§204(d)(2)] [equivalency]	N/A	
BPWTT [Best Practical Wastewater Treatment Technology; §201(b)] [equivalency]	N/A—The treatment system is a separate project being built by King County.	
Eligible Categories [§201(g)(1)] [equivalency]	N/A—the project will	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	direct the waste to a facility where it will be subject to at least secondary treatment before discharge.	
Reclaim, Reuse [Alternative management techniques; e.g., land treatment, small systems, reclamation and reuse of water must be considered] §201(g)(2) [equivalency]	N/A	
Infiltration/Inflow §201(g)(3) [equivalency]	N/A-new collection system	
Innovative/Alternative Treatment Technology (§201(g)(5) [equivalency]	N/A	
Recreation & Open Space [§201(g)(6)] [equivalency]	N/A	
CSO Funding Limitations [§201(n)(1-2)] [equivalency]	N/A	
Capitol Financing Plan [§201(o) [equivalency]]	N/A	How did the state assist or encourage the development of a capitol financing plan
Water Quality Management Plans [§204(a)(1)] [equivalency]	N/A	Is the project consistent with applicable plans (§208, §303)
Operation and Maintenance [§204(a)(2)] [equivalency]	The loan requires the development of an O& M plan.	Has the applicant made proper provisions for the operation and maintenance of the POTW?
User Charge System [§204(b)(4)] [equivalency]	The loan requires the development of an appropriate user charge	If the system of user charges is other than based on metered flow the applicant must (a) establish a system of charges that will produce

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	system.	the funds necessary to operate and maintain the POTW and (b) establish a procedure to notify the residential user of the proportion of the total payment that will be allocated to the cost of waste treatment services.
Collection Systems [S211] [equivalency]	N/A	Replacement/rehabilitation must be essential to system operation
Cost Effectiveness [S218] [equivalency]	N/A	Is the selected alternative cost-effective, was value engineering performed for projects costing more than \$10,000,000
Davis Bacon Act [S512] [equivalency]	N/A Loan requires that state prevailing wage rates be paid.	Were D-B wage rates posted at the site and paid to employees (for projects before 1 October 1994)
Environmental Review [S511(c)(1)] [equivalency]	The EPA prepared an Environmental Assessment and issued a FNSI. The project owner also prepared an environmental checklist under the SERP and made a determination of non-significance. The Department approved that on October 11, 2005.	Was an environmental review completed in accordance with the SERP?
Was the appropriate type of environmental review conducted	Yes	FNSI, categorical exclusion, EIS
If another agency's environmental review was	N/A	Describe documentation of the adoption

Item Description	What, Where & How Met	Explanation of requirement (if needed)
adopted, is the adoption process appropriately documented		
Public Notice	During the facilities planning process, over 20 public meetings were held to inform the public and obtain public input.	Was proper public notice given during the environmental review process?
Public Hearing	See above.	Was a hearing held?
Was an appropriate range of alternatives evaluated	Yes	
Were other environmental review considerations adequately addressed	The EA provided a thorough evaluation of potential consequences.	Were population projections and design basis flow estimates reasonable? Was the project evaluated within the context of the broader system so that cumulative effects could be appropriately evaluated? Was the study area large enough to encompass all of the area potentially affected by the project's construction and operation?
Endangered Species Act	Loan application indicates that ESA consultation occurred during EPA's environmental review and that the services concurred with the FNSI.	How was ESA consultation handled?
National Historic Preservation Act	The EA examined potential impacts on cultural	Is SHPO contact appropriately documented?

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	resources..	
Archeological & Historic Preservation Act	The Cultural Resources Report for the project states that the EPA took the lead for §106 compliance.	
Wild & Scenic Rivers Act	The EA notes there are no designated Wild and Scenic Rivers in the study area.	
Coastal Zone Management Act Compliance	Not in the state's coastal zone	Consistency certification? State CZM permit?
Coastal Barriers Resource Act		N/A in Region 10
Farmland Protection Act	All the construction is within the Urban Growth area, so no farmlands would be affected.	
E.O. 11990 Wetlands Protection	The EA evaluated potential consequences on wetlands (no significant effects were identified)	Were wetlands appropriately identified and avoided or protected?
E.O. 11888 Floodplain Management Act	Floodplain issues were discussed. No indication as to whether FEMA was consulted.	Were floodplain issues evaluated?
Clean Air Act Compliance	EA indicates no adverse	Does the project comply with the SIP?

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	impacts on air quality.	
Safe Drinking Water Act	No adverse effects. Project will eliminate a public health threat to groundwater.	Sole Source Aquifer review?
Civil Rights Act	The loan agreement requires compliance with all Federal laws, regulations and policies against discrimination. There is a blank pre-award compliance review form in the file.	Pre-award compliance review completed?
E.O. 11246	Ecology provided a copy of the signed certification from the contractor	Contract language re EEO?
MBE/WBE	Ecology provided a copy of the signed certification from the contractor as well as information documenting that both MBE and MBE firms are subcontractors.	Compliance by borrower/contractor
E.O. 12898 Environmental Justice	Evaluated in the EA	
Small Business & Rural Communities Act	The loan agreement includes language requiring	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	the borrower to take affirmative steps to market the work to SBRA's.	
Uniform Relocation Act	No relocations	
Debarment & Suspension	Standard loan agreement language on debarment and suspension omitted. However, Ecology provided a copy of a signed certification from the contractor.	

CITY OF WARDEN, WATER RECLAMATION LOAN FILE REVIEW SUMMARY

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Project Name	Warden Water Reclamation Facility	
Project Loan Number	L0700015	
Date of Loan	May 4, 2007	
Project Description	The City of Warden is replacing a failing wastewater lagoon system with a new wastewater treatment and disposal system that uses an oxidation ditch and UV disinfection. The wastewater will be treated to Washington State's "Class A" reclamation standards and land disposed through the existing wastewater lagoons, which will be converted to infiltration basins. The system is	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	being designed to allow effluent reuse in irrigation.	
Amount of Loan	\$7,705,120. The system also received a Centennial Clean Water Grant of \$723,880 in SFY 2007 and was on the state's SFY 2008 Final Offer list to receive an additional \$3,000,000 from the Centennial program.	
Need for Project	The project would eliminate the discharge of inadequately treated wastewater to local groundwater, eliminate the threat of further contamination of Lind Coulee, a CWA §303(d) listed stream and provide the potential to supplement local irrigation systems, if the U.S. Bureau of Reclamation changes its current policy	

Print Information Sheet

SRF Annual Review Information Sheet

State Under Review: _____ Washington
DW or CW Program? _____ CW

For SRF Fiscal Year Beginning: 07/01/2006 Ending: 06/30/2007

Annual / Biennial Report Received: 12/04/2007

State Contact: Brian Howard _____

Annual Audit Received: 03/31/2008

Audit Year: 2007

Phone No. (360) 407-6510

Core Review Team:

<u>Role</u>	<u>Name</u>
Team Leader	Daniel Steinborn
SRF Financial Analyst	Chris Castner
_____	_____
_____	_____
_____	_____

State Staff Interviewed

FAS Manager	Steve Carley
SRF Coord	Brian Howard
SRF F.A.	Cindy Price
Financial Office	Gary Zeiler
_____	_____

Project Files Reviewed: Carnation Wastewater Collection System _____
Warden Wastewater Reclamation Project _____
Spokane County Conservation District Sediment Management Program _____

	First Team Meeting	Second Team Meeting	On-Site Visit	Draft PER	Final PER
Estimated Date:	____/____/____	____/____/____	____/____/____	____/____/____	____/____/____
Actual Date:	____/____/____	____/____/____	3/20/2008	4/14/2008	7/7/2008

7/14/2008

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Worksheet 1
Required Program Elements

Review Item and Questions to Answer reference to guidance manual		Yes	No	N/A	Comments	Data Sources (check all that apply)
1.1 Annual / Biennial Report						
1	Does the State's Annual / Biennial Report meet all requirements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The report was submitted well before the deadline and incorporated format and content revisions that the Department of Ecology and the EPA had discussed during prior program evaluations.	<input type="checkbox"/> Report Date November 21, 2007
	a. Reports on progress towards goals and objectives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The report discusses each goal and the progress achieved during the current fiscal year.	
	b. Reports on use of funds and binding commitments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	year and the funds that have been committed to these projects.	
	c. Reports on the timely and expeditious use of funds	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Between the Annual Report and the NIMS data submission the Department demonstrates that the Washington Water Pollution Control Revolving Fund continues to be a national leader in committing available funds to loans (actually committing 116% of funds available (cumulatively).	
	d. Identifies projects and types of assistance provided.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	e. Includes financial statements and cross-references independent audit report	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The report includes unaudited financial statements. The independent audit by the State Auditor was not yet complete as of mid-March 2008 but is expected soon	
	f. Provides overall assessment of the SRF's financial position and long-term financial health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	g. Demonstrates compliance with all SRF assurances	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The "assurances" were all met years ago and the Department continues to be in compliance with those that are still relevant. The grant conditions are typically implemented in conditions incorporated into the standard loan agreements that Ecology uses for the program. This continued to be the case this fiscal year.	
	h. Demonstrates compliance with SRF program grant conditions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	i. Demonstrates that the highest priority projects listed in the IUP were funded (DW only)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The Department uses a water quality driven project ranking system that directs the available funds to the projects with the biggest water quality benefits. Loans are executed during the year as projects are ready to proceed.	
	j. Documents why priority projects were bypassed in accordance with state bypass procedures and whether state complied with bypass procedures.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Technically, Ecology does not by-pass projects. It executes loans as the projects are ready. During SFY 2007 and preceding years the program's rules required that loans be executed within one year of the publication of the Final IUP. Effective with the SFY 2008 IUP this deadline was shortened to nine months to encourage project sponsors to execute loans more quickly.	
	k. Documents use of set-aside funds (see set-aside sheet for details)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
2	Was the Annual / Biennial Report submitted on time?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>			Yes	No	N/A	Comments	Data Sources (check all that apply)
3 If the State assesses the environmental and public health benefits of projects, are the benefits discussed in the Annual/Biennial Report? If the answer is yes, the comment section should contain an explanation.			<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		

Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>		Yes	No	N/A	Comments	Data Sources (check all that apply)
1.2 Funding Eligibility						
1	Are projects receiving assistance eligible for funding?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/> Project Files <input type="checkbox"/> Priority List <input type="checkbox"/> Project ranking and selection process <input type="checkbox"/>
2	Is documentation being received from assistance recipients to support the amount and eligibility of disbursement requests?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Project Files - Pay Request Documentation <input checked="" type="checkbox"/> Approval documentation <input type="checkbox"/> Inspection reports <input type="checkbox"/>
3	Does the State have controls over SRF disbursements to ensure that funds are used for eligible purposes?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4	Is the state meeting the 15% small system requirement? (DW only)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
5	Does the State have procedures to ensure that systems in significant noncompliance with any NPDWR are not receiving assistance, except to achieve compliance? (DW only)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
1.3 Compliance with DBE Requirements						
1	Is the State complying with all DBE requirements (setting goals, six affirmative steps and reporting)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ecology continues to incorporate these requirements into a standard loan condition.	<input checked="" type="checkbox"/> Grant / Operating Agreement <input type="checkbox"/> Annual / Biennial Report <input checked="" type="checkbox"/> Project Files <input checked="" type="checkbox"/> DBE Reporting Forms <input type="checkbox"/>
2	Are assistance recipients complying with all DBE requirements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ecology provided documentation (signed certifications) that demonstrated that contractors were addressing the MBE/WBE goals.	

Required Program Elements

Review Item and Questions to Answer reference to guidance manual	Yes	No	N/A	Comments	Data Sources (check all that apply)
1.4 Compliance with Federal Cross-Cutting Authorities (Cross-Cutters)					
1 Is the State complying with applicable federal cross-cutting authorities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The Federal Cross-Cutting authorities are typically being addressed during the facilities planning and environmental review process. For treatment works projects that are also receiving EPA grants, project owners are relying on EPA's NEPA compliance process to address these requirements.	<input checked="" type="checkbox"/> Project Files <input type="checkbox"/> Grant / Operating Agreement <input type="checkbox"/> Annual / Biennial Report <input type="checkbox"/>
2 Is the State ensuring that assistance recipients are complying with all applicable federal cross-cutting authorities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	See note, above.	
3 Were there any issues which required consultation with other State or Federal agencies?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Projects required informal consultation with the "services", the SHPO, and the THPO.	
a. What did the consultation conclude with regard to compliance with the cross-cutter?				In each instance the cross-cutters were addressed substantively in an appropriate manner.	
1.5 Compliance with Environmental Review Requirements					
1 Are environmental reviews being conducted in accordance with the State's approved environmental review procedures (SERP)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Project Files <input type="checkbox"/> State Environmental Review Procedures <input type="checkbox"/> Annual / Biennial Report <input type="checkbox"/>
2 Does the State document the information, processes, and premises leading to decisions during the environmental review process?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Project Files <input type="checkbox"/> Staff interviews <input type="checkbox"/>
a. Decisions that projects meet requirements for a categorical exclusion (CE) or the State equivalent?			<input checked="" type="checkbox"/>	No categorically excluded projects were reviewed this year.	
b. Environmental Assessment (EA)/Findings of No Significant Impacts (FONSI) or the state equivalent.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
c. Decisions to reaffirm or modify previous SERP decisions.			<input checked="" type="checkbox"/>	No projects reviewed this year fit this category.	

Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>	Yes	No	N/A	Comments	Data Sources (check all that apply)
d. Environmental Impact Statement (EIS)/Records of Decisions (RODS) or the State equivalent.			X	No projects reviewed this year fit this category.	

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Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>	Yes	No	N/A	Comments	Data Sources (check all that apply)
3 Are public notices and meetings, as required by the SERP, provided during the environmental review process?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washington, as a matter of state law, has thorough public participation and public review processes.	
4 Are documented public concerns being addressed/resolved by the State in the environmental review process?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	None were identified in the projects reviewed this year.	
5 Do environmental reviews document the anticipated environmental and public health benefits of the project?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
1.6 Operating Agreement					
1 Is the State's Operating Agreement up to date reflecting current operating practices?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Aas of this writing we are finalizing a new Operating Agreement and expect it to be executed by early SFY 2009.	<input type="checkbox"/> Last update date _____
a. Program administration	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
b. MOUs	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
c. Description of responsible parties	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
d. Standard operating procedures	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		

Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>	Yes	No	N/A	Comments	Data Sources (check all that apply)
1.7 Staff Capacity					
1 Does the State have staff, in terms of numbers and capability, to effectively operate the SRF?	X			The staff is managing and implementing a leading program.	<input type="checkbox"/> Program Budget <input type="checkbox"/> Organization Chart <input checked="" type="checkbox"/> Staff interviews
a. Accounting & Finance	X				
b. Engineering and field inspection	X				
c. Environmental review / planning	X				
d. Management	X				
e. Management of set-asides (DW only)			X		
2 Does the program have an organizational structure to effectively operate the SRF?	X				
1.8 DWSRF Withholding Determinations					
1 Did the State document ongoing implementation of its program for ensuring demonstration of new system capacity?			X		
2 Did the State document ongoing implementation of its capacity development strategy?			X		
3 Did the State document ongoing implementation of its operator certification program?			X		

Required Financial Elements

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
2.1 State Match					
1				Review of accounting records confirms deposit of state match funds coinciding with all federal cash draws. CWNIMS data for SFY07 reports annual and cumulative totals for state match equal to 20% of total capitalization grants. The annual report also provides documentation of state match amounts (although exact amounts may vary according to the cash / versus accrual basis of different reports)	
Has the State provided match equal to 20 percent of the grant amount?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Audited Financial Statements <input checked="" type="checkbox"/> Annual / Biennial Report <input checked="" type="checkbox"/> State Accounting Records Review
2				Cash draw transaction testing review of accounting records of state match deposits.	
Was each match amount deposited at or before the federal cash draw?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/> Audited Financial Statements <input type="checkbox"/> Annual / Biennial Report <input checked="" type="checkbox"/> State Accounting Records Review
3				What is the source of the match (e.g., appropriation, State GO bonding, revenue bonds, etc.)?	
				State appropriation	<input type="checkbox"/> Grant Application <input checked="" type="checkbox"/> Audited Financial Statements <input checked="" type="checkbox"/> Annual / Biennial Report
4				Are match funds held outside the SRF until the time of cash draws?	
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
5				If bonds are issued for state match, and the SRF is used to retire these bonds, do the bond documents clearly state what funds are being used for debt service and security?	
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
a. Has the state match structure been approved by Headquarters?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
6				Is the state match bond activity consistent with the approved state match structure?	
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		

Required Financial Elements

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
2.2 Binding Commitment Requirements					
1 Are binding commitment requirements being met?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	WA CWSRF made binding commitments of \$73.5 million in SFY07 against \$6.2 million taken in grant payments in the prior fiscal year, (SFY2006 payments).	<input type="checkbox"/> Binding commitment worksheet <input checked="" type="checkbox"/> Annual / Biennial Report <input type="checkbox"/> Project files <input type="checkbox"/>
a. Are cumulative binding commitments greater than or equal to cumulative grant payments and accompanying State match within one year of receipt of payment?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Cumulative binding commitments are approx. 215 % of grant payments taken through the beginning of SFY07.	
2 Are binding commitments documented in the project files?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
a. Do the commitment dates match reported commitments in the Annual/Biennial report?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Checked Loan agreement dates for 4 of the projects that were part of the cash draw testing. 3 of the 4 loan agreement dates matched the dates listed in the annual report Exhibit 11. * One exception was that the cover page on the Loan Agreement document for Winlock, Loan # L070006, lists the date as Jan 27th ,2006. An e-mail was sent to Brian Howard DOE CWSRF Program Manager on March 26, 2008, asking him about this. Reply recieved same day explaining how loan amendments may change the date on the cover page. He would check with the Project Manager on this loan to determine if a date change was needed.	
3 Is there a significant lag between binding commitments, loan execution, or the actual start of the projects?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The few instances of significant project lag were due to technical difficulties on the project that came up after loan agreements were signed. In these (few) cases, the loan was cancelled and the project dropped.	<input type="checkbox"/> Project Files <input type="checkbox"/> Record of binding commitment dates <input type="checkbox"/> Loan documents <input checked="" type="checkbox"/> Discussion with Program Manager
a. What is the typical and longest lag from binding commitment to project start?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Standard language in WA loan agreements stipulate that construction begin within 4 months after the loan agreement is signed , unless a different time frame for start of construction is mutually agreed upon.	
b. How many projects have never started?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The few instances of significant project lag were due to technical difficulties on the project that came up after loan agreements were signed. In these (few) cases, the loan was cancelled and the project dropped.	

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Required Financial Elements

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
c. How many projects have been replaced because they never started?			X	Only "a few" projects have been replaced because they never got started (see discussion in comments to question immediately before this one). Washington's protocol allows a project that is on the Intended Use Plan's priority list one year from list publication to execute a loan. Loan recipients have 6 months to sign a loan agreement from the time they are notified and offered loan financing. If the loan is not signed within that time frame, then funding is offered to the next project down the list.	
d. If this problem exists, is it recurring? If so, what steps are the State taking to correct the situation?		X		This is not a recurring problem.	

Required Financial Elements

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
2.3 Cash Draws					
1 Has the State correctly adhered to the "Rules of Cash Draw" ?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Cash draw transaction testing and review of project disbursements show that the program is following the rules of cash draw.	<input checked="" type="checkbox"/> Project disbursement requests <input checked="" type="checkbox"/> Accounting transactions
				Cash Draw / Disbursement testing: Four (4) cash draws/ representing 7 project disbursements were tested for a total of \$1,366,820.49 (\$1,095,140 federal draws) Additionally, two (2) administrative draws were tested (\$81,492 federal draws.) NO erroneous payments were noted.	<input type="checkbox"/> Approved leveraging structure <input checked="" type="checkbox"/> Federal draw records (IFMS) <input type="checkbox"/> Audits
2 Does a review of specific cash draw transactions confirm use of correct proportionality percentages?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Cash draw transaction testing show that the program is using the correct proportionality.	
3 For leveraged states, what proportionality ratio is the state using to draw federal funds?			<input checked="" type="checkbox"/>		
4 Have any erroneous payments/cash draws/disbursements been discovered and, if so , what corrective steps are being taken?		<input checked="" type="checkbox"/>	<input type="checkbox"/>	No erroneous payments or cash draws were discovered as a result of the SFY07 audit or during the annual review.	
5 Does a review of specific Project cash draw transactions confirm the use of federal funds for eligible purposes?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Cash draw transaction testing and review of project disbursements show that the program is using federal funds for eligible purposes only.	
6 Does a review of specific Administrative cash draw transactions confirm the use of federal funds for eligible purposes?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Cash draw transaction testing via review of administrative disbursements show that the program is using federal funds for eligible purposes only. Additionally the audit for SFY07 looked at administrative charging and found "no incidences of non-compliance" relative to federal program requirements for administrative charging.	
2.4 Timely and Expeditious Use of Funds					
1 Is the State using SRF funds in a timely and expeditious manner?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/> IUP <input checked="" type="checkbox"/> Binding commitments <input checked="" type="checkbox"/> Annual / Biennial Report
a. Does the fund have large uncommitted balances?		<input checked="" type="checkbox"/>	<input type="checkbox"/>		
b. Does the fund have large balances of undrawn federal and state funds?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	WA has a balance of grant funds not yet drawn of approximately \$52.7 million at the end of SFY07. This is not a problem considering the fact that WA made approximately \$73 million in new loans in SFY07 and drew down approximately \$22.5 million of grant funds for disbursements in SFY2007.	
c. Are the uncommitted balances growing at a faster annual percentage rate than the growth of the total assets of the SRF?		<input checked="" type="checkbox"/>	<input type="checkbox"/>		

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Worksheet 2

Required Financial Elements

Review Item and Questions to Answer		Yes	No	N/A	Comments	Data Sources (check all that apply)
2	Does the State need to improve its use of funds to ensure timely and expeditious use? Has the state developed a plan to address the issue?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
3	If the state was required to develop a plan demonstrating timely and expeditious use of funds, is progress being made on meeting this plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		

Required Financial Elements

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
2.5 Compliance with Audit Requirements					
1 Are annual audits being conducted by an independent auditor?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
a. Who conducted the most recent audit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The Washington State Auditor's Office conducted an audit of the WA Pollution Control State Revolving Fund program for SFY06 and again conducted the audit for SFY07	
b. Did the program receive an unqualified opinion?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	In the audit report for SFY07, the program received an unqualified opinion. (The program received an unqualified opinion in the report for SFY06 as well)	
c. Were there any significant findings? (Briefly discuss the findings.)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	There were no findings from the audit of SFY07. (Last year, the SFY06 audit report included one reportable condition, but not considered a material weakness, that questioned the methodology by which the DOE was charging administrative staff salaries against the CWSRF.)	
d. Is the program in compliance with GAAP?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2 Does the annual audit confirm compliance with State laws and procedures?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
a. Did the audit include any negative comments on the state's internal control structure?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
b. Did the audit identify any erroneous payments/cash draws/disbursements?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
c. Has the State taken action to recover the improperly paid funds?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
3				The WA State Office of Financial Management issued a 2007 Audit Resolution Report (Dec 2007) wherein the corrective actions taken by state Dept of Ecology/CWSRF program are documented. This report confirms that corrective actions were completed by the Department of Ecology by August 2007.	
Has the program implemented prior audit recommendations and/or recommendations in the "management" letter?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4				Statements in the annual report and staff interviews during the current annual review confirm that cash is invested via the WA State Treasurer's Office , consistent with state law.	<input type="checkbox"/> Audit
Are the states cash management and investment practices consistent with State law, policies, and any applicable bond requirements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
a. Is the SRF earning a reasonable rate of return on invested funds?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	In SFY07, the WA CWSRF earned a rate of return on invested funds of approximately 5% compared to SFY06 results of 3%	

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Worksheet 2

Required Financial Elements

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
5				The DOE 's fiscal department and the Water Quality financial management staff continue to effectively manage the SRF, and implement improvements to the SRF accounting processes whenever opportunity for improvements are discovered.	
Are State accounting procedures adequate for managing the SRF?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/> Accounting procedures manual
					<input type="checkbox"/> Internal controls documentation
					<input checked="" type="checkbox"/> Staff Interviews
a. Do the State's accounting procedures include internal control procedures for state-purchased equipment?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

Required Financial Elements

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
6 Are loan recipients providing single audits?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	All WA DOE SRF loan agreements require recipients to meet requirements of the Single Audit Act if applicable.	<input type="checkbox"/> Project files
a. Is the State reviewing the loan recipient audits and resolving issues?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	DOE relies on the WA State Auditor's Office audits to evaluate loan recipient accounting practices. State Fiscal department staff looks at every audit produced by the State Auditors and make a point of notifying DOE of any issues involving DOE-SRF loan recipients. The DOE CWSRF program staff would then follow up on any issue that could affect a SRF loan recipient's financial capability as it relates to loan terms and requirements.	
b. Does the State ensure that assistance recipients are adhering to GAAP accounting requirements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The WA CWSRF program went through rule-making process in SFY06 and changed the language in their standard loan agreements referring to borrower accounting requirements. Standard requirements in WA loan agreements stipulate that recipients maintain project accounts in accordance with standards in effect under WA State law. (Chapter 43.09.200 RCW "Local Government Accounting - Uniform System of Accounting". Our evaluation is that these requirements meet appropriate accounting standards.	
2.6 Assistance Terms					
1 Are the terms of assistance consistent with program requirements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/> IUP <input checked="" type="checkbox"/> Loan Agreements <input type="checkbox"/> Repayment transactions
a. Are interest rates charged between 0% and market rates? (except as allowed for principal forgiveness)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
b. Do principal repayments start within one year of project completion and end within 20 years, for all non-extended term projects with non-extended loan repayment terms?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
c. Does the program use extended terms or principal forgiveness to the extent it is allowable? (If so report the percentage of project funding in these categories.)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The WA CWSRF program does not provide for extended terms ; nor does the program provide principal forgiveness.	
2 Does the State periodically evaluate the terms of assistance offered relative to the supply and demand for funds and the long-term financial health of the fund?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.7 Use of Fees					
1 Does the program assess fees on their borrowers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/> IUP <input type="checkbox"/> Loan Agreements <input type="checkbox"/> Repayment transactions

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Worksheet 2

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Required Financial Elements

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
a. What is the fee rate charged and on what basis (e.g., percentage of closing amount, principal outstanding, principal repaid, etc.)?			X		
b. Are fees being used in accordance with program requirements?			X		
2 Does the State periodically evaluate the use of fees relative to loan terms to set appropriate total charges to borrowers and assess long-term funding needs to operate the program?			X		

Required Financial Elements

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
3 Does the State have procedures for accounting and reporting on its use of fees?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
2.8 Assessment of Financial Capability and Loan Security					
1				Beginning with applications accepted for the SFY08 funding cycle, (and some of the loans for SFY07) the program implemented an in-house procedure for conducting financial capability assessments on all loan applicants.	
Does the State have procedures for assessing the financial capability of assistance recipients? (CW only)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Financial Capability Review Procedures <input type="checkbox"/> Loan applications <input checked="" type="checkbox"/> Project Files
2				During our SFY07 annual review visit, we observed some examples of the financial capbilty assessment documentation being used by DOE program staff. During our discussion with program staff, we asked specifically about consistency of procedures and were assured that the assessment procedures were now being followed for every loan application.	
Are the financial capability policies and procedures being followed? (CW only)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Financial Capability Review Procedures <input type="checkbox"/> Loan approval documentation <input type="checkbox"/> Project Files <input checked="" type="checkbox"/> Staff discussions at annual review visit.
3				Does the state have procedures for assessing the technical, financial, and managerial capability of assistance recipients? (DW only)	
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/> Capability Review Procedures <input type="checkbox"/> Loan applications <input type="checkbox"/> Project Files
4				Are the technical, financial, and managerial review procedures being followed? (DW only)	
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/> Capability Review Procedures <input type="checkbox"/> Loan approval documentation <input type="checkbox"/> Project Files
5				Do assistance recipients have a dedicated source of revenue for repayment or, for privately-owned systems, adequate security to assure repayment?	
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	A primary purpose of the financial capability assessment process is determination of rate-adequacy / revenue sufficiency for loan repayment. The program staff may recommend additional specific loan conditions in addition to the standard annual rate-review condition, if the assessment reveals other financial capability	<input checked="" type="checkbox"/> Financial Capability Review Procedures <input type="checkbox"/> Loan approval documentation <input checked="" type="checkbox"/> Project Files

Print Summary

Print Details

Worksheet 2

Required Financial Elements

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
6 Do assistance recipients have access to additional funding sources, if necessary, to ensure project completion?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Additional funding may be included in the project budget and this information would be included in the original loan agreement . However none of the projects we reviewed or of those we discussedwith program staff, had provisions in the loan agreements that specifically addresses additional funding to ensure project completion.	<input type="checkbox"/> Project Files

Required Financial Elements

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
2.9 Financial Management					
1 Is the SRF program's financial management designed to achieve both short- and long -term financial goals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Annual / Biennial Report <input checked="" type="checkbox"/> Staff interviews
a. Do the Financial Indicators show progress in the program in funding the maximum amount of assistance to achieve environmental and public health objectives?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The financial indicators for SFY2007 show strong program performance with cumulative pace at 109% and return on federal investment over 197%.	
2 Does the State have a long-term financial plan to direct the program?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	WA CWSRF program management and staff continue to look at the program's long term potential and consider program adjustments in light of anticipated market demand and funding availability.	
a. Was financial modeling used to develop the plan?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	DOE contracted a consulting economist to perform financial modeling of their CWSRF program and incorporated the findings during the SFY2005 - SFY2006 rule-making processes. The results of the financial modeling helped DOE to determine an operating definition of "perpetuity" and DOE continues to use the data to inform their long-term planning.	
b. Is the plan periodically reviewed and updated?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The DWSRF is operated independently of the CWSRF by different state agencies. Therefore, cross-collateralization has not been explored.	
c. Does planning address types of assistance and terms, use of leveraging, and transfers or cross-collateralization between programs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3 Are funds disbursed to assistance recipients in a timely manner?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4 Has the State resolved any issues related to loan restructuring, the potential for defaults, and the timeliness of loan repayments?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The DOE program staff reported that "very few, if any" occurrences of late payments have been experienced over the history of WA's CWSRF program. " Likely that late payments were only a matter of a few weeks behind schedule" is how the staff characterized any late payments. One case , the Loan Financial Manager (a staff person in the program) worked with a particular small community to help the community get back on track in meeting its payment schedule.	
5 Are net bond proceeds, interest earnings, and repayments being deposited into the fund?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
6 If the State leverages, is its leveraging activity consistent with the accepted leveraging structure?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
7 Are leverage and state match bond documents consistent with SRF regulations?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	with respect to wastewater reuse and approves of such supplementation.	
Loan Terms (rate/amortization period)	This is a twenty year loan at 0% interest (the community met Ecology's hardship criteria for both grant assistance and an interest free loan).	
Type of assistance under §603(d)	Direct loan to a publicly owned treatment works.	Direct loan, loan guarantee, loan insurance purchase, refinance (includes refunding and advance refunding) (Check borrower's documentation such as the resolution enacted by its legislative body authorizing the debt)
Financial Capability Assessment/Repayment Source Evaluation	An updated hardship analysis dated March 3, 2008 is in the loan file. This supports the hardship assistance being provided under the loan and grant agreements. An earlier (October 2006) hardship analysis supporting the assistance provided is also in the file. The file also	Was one conducted? If so, how is it documented in the file?

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	<p>includes a financial capability assessment prepared by the Environmental Finance Center at Boise State University. That analysis, dated April 4, 2007, seems to be of little use because the EFC had little data to analyze. The EFC notes that the City uses cash basis accounting, has no balance sheet and uses a combined water/wastewater fund in its financial statements to report the financial condition of the water and wastewater utilities. Neither the application nor the loan application seemed to be accompanied by financial statements. Given all of this, it is not clear how Ecology concluded that the city</p>	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	has or would have the ability to repay the loan as executed.	
Loan Security Provisions	<p>The loan is a revenue secured debt. The borrower is required to, within the first five years of the repayment period, establish a fund a debt service reserve equal to one year's debt service. The borrower is prohibited from providing free service and is required to properly operate and maintain the facility. In the event of a default, the lender may demand immediate repayment and my intercept state funds otherwise due to the borrower and use those funds to repay the debt.</p>	What security provisions are included in the loan? (Such as state-aid intercept, coverage ratio requirement, debt service reserve)
Facility Plan available/Approved	According to the financial assistance application the	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	facilities plan was approved by Ecology on October 26, 2005. A copy of the approval letter is in the file.	
Plans & Specs Approval	According to the financial assistance application, plans and specifications were approved by Ecology on October 26, 2005. A copy of the approval letter is in the file.	
Bid Advertisement and Approval	No documentation in file.	
MBE/WBE Compliance	The loan agreement includes a provision incorporating the MBE/WBE goals and language requiring the borrower to take a set of affirmative steps aimed at meeting those goals where possible.	
Initiation of Operations/Performance Certification [§204(d)(2)] [equivalency]	N/A	
BPWTT [Best Practical Wastewater Treatment Technology; §201(b)] [equivalency]	N/A However the project would provide, at least,	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	secondary treatment with the potential for effluent reuse.	
Eligible Categories [§201(g)(1)] [equivalency]	N/A. However it is a treatment works project and is eligible.	File should include information documenting that all portions of the project are eligible
Reclaim, Reuse [Alternative management techniques; e.g., land treatment, small systems, reclamation and reuse of water must be considered] §201(g)(2) [equivalency]	N/A The project is being designed and built to allow for effluent reuse.	
Infiltration/Inflow §201(g)(3) [equivalency]	N/A	
Innovative/Alternative Treatment Technology (§201(g)(5) [equivalency]	N/A	
Recreation & Open Space [§201(g)(6)] [equivalency]	N/A	
CSO Funding Limitations [§201(n)(1-2)] [equivalency]	N/A	If they (20%) are exceeded their needs to be documentation that the Governor certified it as a priority
Capitol Financing Plan [§201(o) [equivalency]]	N/A However, based on our review of the funding arrangements, it is clear that Ecology has aided the borrower in structuring the financial arrangements for this capital project.	How did the state assist or encourage the development of a capitol financing plan
Water Quality Management Plans	N/A However, the project	Is the project consistent with applicable plans

Item Description	What, Where & How Met	Explanation of requirement (if needed)
[\$204(a)(1)] [equivalency]	would contribute to a nearby water body (Lind Coulee) returning to compliance with water quality standards.	(\$208, \$303)
Operation and Maintenance [\$204(a)(2)] [equivalency]	N/A However, the loan agreement requires the borrower to develop an O&M plan and submit it to Ecology.	Has the applicant made proper provisions for the operation and maintenance of the POTW?
User Charge System [\$204(b)(4)] [equivalency]	N/A However, the loan requires that the borrower develop an appropriate user charge system.	If the system of user charges is other than based on metered flow the applicant must (a) establish a system of charges that will produce the funds necessary to operate and maintain the POTW and (b) establish a procedure to notify the residential user of the proportion of the total payment that will be allocated to the cost of waste treatment services.
Collection Systems [\$211] [equivalency]	N/A	Replacement/rehabilitation must be essential to system operation
Cost Effectiveness [\$218] [equivalency]	N/A, The application indicates that major components of the proposed system have been value engineered during the facilities	Is the selected alternative cost-effective, was value engineering performed for projects costing more than \$10,000,000

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	planning process.	
Davis Bacon Act [§512] [equivalency]	N/A However, in accordance with state law, the loan agreement requires the borrower and its contractor(s) to pay prevailing wage rates for work on the project.	Were D-B wage rates posted at the site and paid to employees (for projects before 1 October 1994)
Environmental Review [§511(c)(1)] [equivalency]	The city prepared a NEPA Environmental Report (ER), a SEPA checklist and a declaration of nonsignificance.	Was an environmental review completed in accordance with the SERP?
Was the appropriate type of environmental review conducted	Yes	FNSI, categorical exclusion, EIS
If another agency's environmental review was adopted, is the adoption process appropriately documented	N/A	Describe documentation of the adoption
Public Notice	Council meetings and hearings were "noticed" in the local daily newspaper.	Was proper public notice given during the environmental review process?
Public Hearing	Council meetings were held the 2 nd and 4 th Tuesdays of the month. Based on the summary in the ER, it appears that the project	Was a hearing held?

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	was often on the City Council's agenda.	
Was an appropriate range of alternatives evaluated	Yes, the facilities planning process examined a reasonable set of options for upgrading the system.	
Were other environmental review considerations adequately addressed	The ER appears to be properly scoped. The facilities plan was not available for this file review.	Were population projections and design basis flow estimates reasonable? Was the project evaluated within the context of the broader system so that cumulative effects could be appropriately evaluated? Was the study area large enough to encompass all of the area potentially affected by the project's construction and operation?
Endangered Species Act	The Fish and Wildlife Service identified one endangered species and three threatened species in the study area. A technical evaluation of potential impacts was completed. There is no indication in the file or in subsequently provided documents that the city obtained the FWS'	How was ESA consultation handled?

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	concurrence in the findings of this evaluation.	
National Historic Preservation Act	The city consulted with both the SHPO and the THPO. The SHPO and THPO concurred there should be no adverse impacts. The THPO asked for monitoring procedures in case of unanticipated discoveries. The documentation includes such procedures and a commitment to implement them.	Is SHPO contact appropriately documented?
Archeological & Historic Preservation Act	See above.	
Wild & Scenic Rivers Act	Not explicitly addressed in ER or environmental checklist	
Coastal Zone Management Act Compliance	Not in the state's coastal zone	Consistency certification? State CZM permit?
Coastal Barriers Resource Act		N/A in Region 10
Farmland Protection Act	NRCS reviewed information provided to it during the development of the EA and concluded that	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	no prime farmland or farmland of statewide importance exists in the "impact area" because it is all within the Urban Growth Area Boundary under the State's Growth Management Act.	
E.O. 11990 Wetlands Protection	NRCS stated there aren't any hydric soils in the area (thus, no wetlands).	Were wetlands appropriately identified and avoided or protected?
E.O. 11888 Floodplain Management Act	The EA states that the project site is located a considerable distance from the mapped 100 year floodplains in the study area.	Were floodplain issues evaluated?
Clean Air Act Compliance	Reviewed by Ecology. No adverse air quality impacts anticipated nor is any construction related dust problem anticipated.	Does the project comply with the SIP?
Safe Drinking Water Act	No sole source aquifer. Project would discharge treated effluent that meets drinking water	Sole Source Aquifer review?

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	standards to groundwater.	
Civil Rights Act	File provided did not include a completed pre-award compliance review form.	Pre-award compliance review completed?
E.O. 11246	Ecology provided a copy of the contractor's certification.	Contract language re EEO?
MBE/WBE	Ecology provided copies of the contractor's certifications.	Compliance by borrower/contractor
E.O. 12898 Environmental Justice	All residents of community would be served by the facility. The state is using grants and no interest loan financing to reduce the adverse economic impact of user rates on low income households.	
Small Business & Rural Communities Act	The loan includes a special term that requires the borrower to facilitate competition by small businesses in rural areas.	
Uniform Relocation Act	N/A no relocations	
Debarment & Suspension	The loan includes a	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	provision prohibiting work by suspended or debarred entities and informs the borrower where it can verify the status of potential contractors. Ecology provided a copy of the contractor's certification.	

EASTERN WASHINGTON SEDIMENT REDUCTION LOAN FILE REVIEW SUMMARY

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Project Name	Eastern Washington Sediment Reduction Program	
Project Loan Number	L0700020	
Date of Loan	June 27, 2007	
Project Description	The Spokane County Conservation District will, in cooperation with American West Bank, make loans to farmers to finance the purchase of equipment necessary for direct-seed agriculture. The conversion to direct-seed tillage practices would considerably reduce sedimentation from farming in streams in the region that support salmonids (among other species).	
Amount of Loan	\$4,000,000	
Need for Project	Many streams in eastern	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	Washington are adversely affected by agricultural practices and have impaired water quality as a result of these practices. This project, if it succeeds in financing direct-seed conversions throughout the region could result in the conversion of over 100,000 acres of land to direct-seed operations. Models suggest that the resulting reduction in soil loss would be on the order of 800,000 tons per year (8 tons per acre per year).	
Loan Terms (rate/amortization period)	A 20 year loan at 2.6%	
Type of assistance under §603(d)	This is a direct loan financing a project that implements the states nonpoint source water quality strategy.	Direct loan, loan guarantee, loan insurance purchase, refinance (includes refunding and advance refunding) (Check borrower's documentation such as the resolution enacted by its legislative body authorizing the debt)
Financial Capability Assessment/Repayment Source Evaluation	No financial capability assessment was in the	Was one conducted? If so, how is it documented in the file?

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	files (none prepared)	
Loan Security Provisions	The debt is a general obligation debt of the Conservation District. The district is bound to assess taxes to repay the debt. The loan also as a state-aid intercept provision.	What security provisions are included in the loan? (Such as state-aid intercept, coverage ratio requirement, debt service reserve)
Facility Plan available/Approved	N/A	
Plans & Specs Approval	N/A	
Bid Advertisement and Approval	N/A	
MBE/WBE Compliance	The loan includes standard MBE/WBE language. However, there would be no direct contracting by the District so there would be no opportunity to actually implement this provision.	
Initiation of Operations/Performance Certification [§204(d)(2)] [equivalency]	N/A	
BPWTT [Best Practical Wastewater Treatment Technology; §201(b)] [equivalency]	N/A	
Eligible Categories [§201(g)(1)] [equivalency]	N/A	File should include information documenting that all portions of the project are eligible
Reclaim, Reuse [Alternative management	N/A	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
techniques; e.g., land treatment, small systems, reclamation and reuse of water must be considered] §201(g)(2) [equivalency]		
Infiltration/Inflow §201(g)(3) [equivalency]	N/A	
Innovative/Alternative Treatment Technology (§201(g)(5) [equivalency]	N/A	
Recreation & Open Space [§201(g)(6)] [equivalency]	N/A	
CSO Funding Limitations [§201(n)(1-2)] [equivalency]	N/A	If they (20%) are exceeded their needs to be documentation that the Governor certified it as a priority
Capitol Financing Plan [§201(o) [equivalency]]	N/A	How did the state assist or encourage the development of a capitol financing plan
Water Quality Management Plans [§204(a)(1)] [equivalency]	N/A	Is the project consistent with applicable plans (§208, §303)
Operation and Maintenance [§204(a)(2)] [equivalency]	N/A	Has the applicant made proper provisions for the operation and maintenance of the POTW?
User Charge System [§204(b)(4)] [equivalency]	N/A	If the system of user charges is other than based on metered flow the applicant must (a) establish a system of charges that will produce the funds necessary to operate and maintain the POTW and (b) establish a procedure to notify the residential user of the proportion of the total payment that will be allocated to the cost of waste treatment services.
Collection Systems [§211] [equivalency]	N/A	Replacement/rehabilitation must be essential to

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		system operation
Cost Effectiveness [S218] [equivalency]	N/A	Is the selected alternative cost-effective, was value engineering performed for projects costing more than \$10,000,000
Davis Bacon Act [S512] [equivalency]	N/A	Were D-B wage rates posted at the site and paid to employees (for projects before 1 October 1994)
Environmental Review [S511(c)(1)] [equivalency]	N/A	Was an environmental review completed in accordance with the SERP?
Was the appropriate type of environmental review conducted	N/A	FNSI, categorical exclusion, EIS
If another agency's environmental review was adopted, is the adoption process appropriately documented	N/A	Describe documentation of the adoption
Public Notice	N/A	Was proper public notice given during the environmental review process?
Public Hearing	N/A	Was a hearing held?
Was an appropriate range of alternatives evaluated	N/A	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Were other environmental review considerations adequately addressed	N/A	Were population projections and design basis flow estimates reasonable? Was the project evaluated within the context of the broader system so that cumulative effects could be appropriately evaluated? Was the study area large enough to encompass all of the area potentially affected by the project's construction and operation?
Endangered Species Act	N/A	How was ESA consultation handled?
National Historic Preservation Act	N/A	Is SHPO contact appropriately documented?
Archeological & Historic Preservation Act	N/A	
Wild & Scenic Rivers Act	N/A	
Coastal Zone Management Act Compliance	N/A	Consistency certification? State CZM permit?
Coastal Barriers Resource Act		N/A in Region 10
Farmland Protection Act		
E.O. 11990 Wetlands Protection	N/A	Were wetlands appropriately identified and avoided or protected?
E.O. 11888 Floodplain Management Act	N/A	Were floodplain issues evaluated?
Clean Air Act Compliance	Farming practices not addressed by SIP.	Does the project comply with the SIP?
Safe Drinking Water Act	N/A—no construction.	Sole Source Aquifer review?
Civil Rights Act	Pre-award compliance review in file	Pre-award compliance review completed?
E.O. 11246		Contract language re EEO?
MBE/WBE	N/A—no contracting	Compliance by borrower/contractor

Item Description	What, Where & How Met	Explanation of requirement (if needed)
E.O. 12898 Environmental Justice		
Small Business & Rural Communities Act		
Uniform Relocation Act	N/A no relocations	
Debarment & Suspension	Not addressed in loan agreement (that clause appears to have been omitted)	